materials
distribution agency

AnnualReport

POLISHING OUR STONES

106-00370/

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Minister's Letter of Transmittal

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

July 11, 2005

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the privilege of presenting the Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2005.

This report marks the completion of MDA's twelfth year as a Special Operating Agency, providing the Province and the broader public sector with quality, cost-effective centralized materials management services. MDA continues to demonstrate its competencies by increasing its warehousing and distribution services for all areas of the government.

In 2004/05, MDA completed the upgrade of its computer system that allows it to provide more timely information and better service to its clients. MDA continues to provide innovative services to the Manitoba Government.

Respectfully submitted,

R Lemieux

Ron Lemieux
Minister Responsible for
Materials Distribution Agency

Deputy Minister's Letter of Transmittal Deputy

Manitoba

Deputy Minister of
Government Services

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 11, 2005

Honourable Ron Lemieux
Minister Responsible for the
Materials Distribution Agency
Manitoba Transportation and Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit the twelfth Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2005.

In 2004/05, MDA continued to experience growth in the services it provides to Employment and Income Assistance Program (EIA). EIA has indicated that it is pleased with the service that MDA provides by undertaking the purchasing, distribution and tracking of orders which reduces EIA's costs and administrative workload.

MDA has also completed three years of distribution and warehousing of textbooks for the Manitoba Textbook Bureau (MTBB), in 2004/05. MTBB has indicated that MDA has significantly improved its order turnaround time, accuracy and client satisfaction over its previous service provider.

I commend the commitment and hard work of the MDA's staff who are focused on continually improving its services.

Respectfully submitted,

Debra Woodgate

Debra Woodgate
Chairperson of the
Materials Distribution Agency Advisory Board

Chief Operating Officer's Letter of Transmittal

June 2005

Chief Operating Officer's Report

I am pleased to present this Agency's twelfth Annual Report.

Our chief challenge this past year was to prepare for the April 1, 2005 amalgamation with our sister agency, Mail Management Agency. Managers and staff have come together to develop site plans, a new organizational structure, change management and communication strategies. I am very proud of the progress made in a short time period.

We have also identified opportunities for business growth to maximize the benefits MDA can provide to government through its one stop logistics and distribution network.

Our organization is changing and our staff continues to show the ability to change with it. They are willing to work together to increase our service standards and meet client needs. Our organization is based on their dedication.

Thank you all so very much.

Susan Boulter
A/Chief Operating Officer

AGENCY STAFF

ϖ AILYN ALMENDRAL ϖ WAYNE BELL ϖ DAVE BISHOP ϖ VAL BODNAREK ϖ TAMARA BOEHM ϖ SUSAN BOULTER ϖ RHONDA BOYD ϖ BRAD BRUCE ϖ KATHLEEN BURR ϖ NEIL BRETZ ϖ BOB BRYK ϖ PAUL BUORS ϖ VERALYNNE CAMERON ϖ GLEN DELA CRUZ ϖ GEORGE DELORME ϖ RICK DUCHARME ϖ KATHY DEMCHUK ϖ DOUG DUECK ϖ SCOTT DUECK ϖ TODD EISNER ϖ JEAN ELLIS ϖ BECKY FLEURY ϖ JASON GAUNE ϖ GARRET GILCHRIST ϖ WILF GENAILLE, ϖ GAIL GILARSKI ϖ ROB GRANT ϖ JOEL HERSHFIELD ϖ PETER HORROCK ϖ JUDY JOHNSTONE ϖ ROGER JUBINVILLE ϖ SANDRA KIRKPATRICK ϖ DARREN KOMONKO ϖ PAULETTE KOSHELUK ϖ GARRY KOSHELUK ϖ CHANTAL LAMBERT ϖ ROGER LaROCQUE ϖ MONIQUE MacLEAN ϖ IHOR MELNYCHUK ϖ MIKE MISURAK ϖ CINDY MULVENA ϖ ROBERT NICHOLLS ϖ TED NORRINGTON ϖ DAVE PEPPIN ϖ CHRIS PETELESKI ϖ LEE POMFRET ϖ PERRY RACCIO ϖ JOANNA RENNICKS ϖ PETER ROBERTS ϖ CARLOS RODRIGUEZ ϖ CHRIS SAVOIE ϖ TRACEY SAVOIE ϖ DAVID SAWYER ϖ BRAD SERAFIN, ϖ MURRAY SPENCE ϖ STEPHANIE STARR ϖ VICKI STEVENS ϖ BYRON ST. HILAIRE ϖ DAN THAGARD ϖ MARGAREDA VIVEIROS ϖ LOUIE WILLMAN ϖ ROSE WOWRYK ϖ

BACKGROUND

Materials Distribution was created in 1974, to provide the Government with centralized materials management for Government departments, boards, commissions and agencies. By utilizing economies of scale, the organization was established to provide lower overall costs in materials management. The Agency's mandate is to cost-effectively meet the supply requirements of this wide spectrum of organizations within the broader public service.

In 1993, the Materials Distribution Agency (MDA) was established as a Special Operating Agency (SOA) under the *Special Operating Agencies Financing Authority Act*. In Manitoba, an SOA is an operational organization within a Government department. The Charter and the Schedule of Delegated Authorities defines the Agency's accountability relationships. These framework documents lay out target commitments for service levels and financial performance.

The SOA concept reflects Government's desire to support improved service to clients; increased latitude for innovation; empowerment of staff; better management of people; and clearly defined accountability for results. MDA has more direct responsibility for results and additional flexibility regarding staffing, capital investments, rate setting, financial systems and accounting procedures.

Every year, MDA must prepare a business plan that provides a blueprint for the activities, revenues and expenditures for the upcoming year. Once approved, the Agency is required to provide quarterly and yearly reports on progress against those goals.

AGENCY STRUCTURE

The Chief Operating Officer manages the day-to-day operations and reports to the Assistant Deputy Minister, Supply and Services Division of Transportation and Government Services. The Chief Operating Officer provides plans and reports to the Agency's Advisory Board for review, to the Minister of Transportation and Government Services and Treasury Board for final approval.

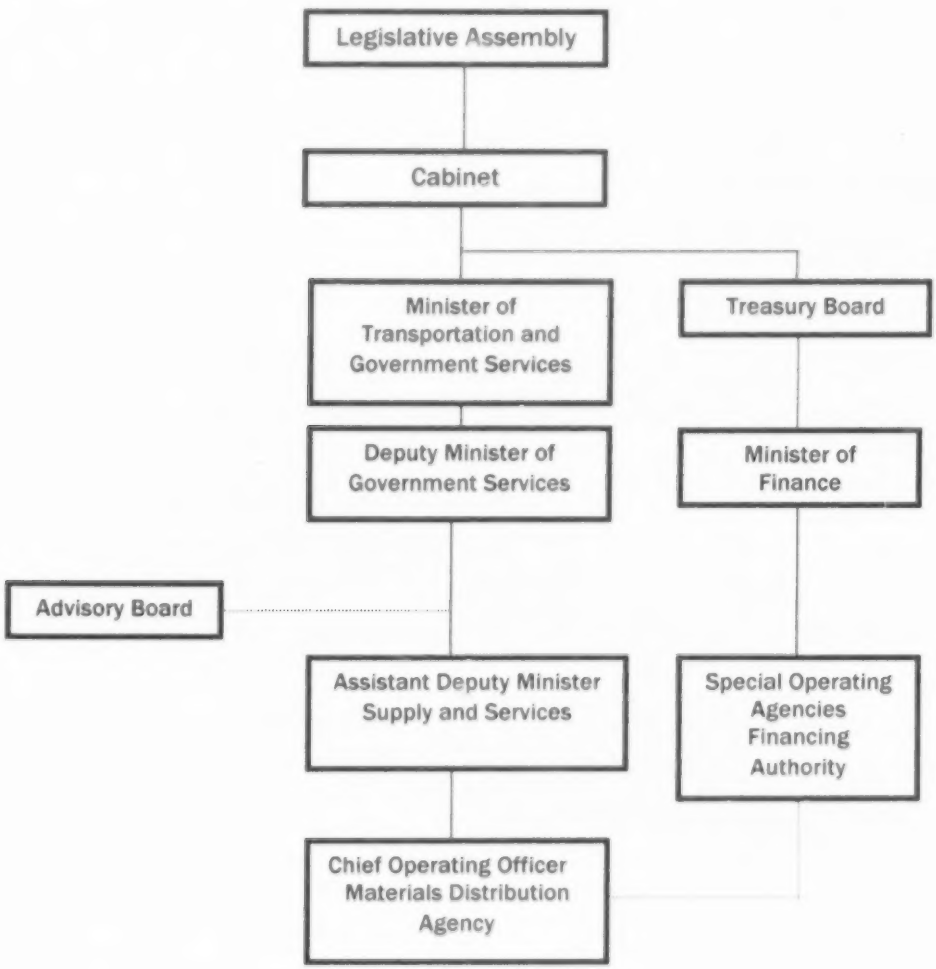
The members of the current Advisory Board are:

CHAIR	**Debra Woodgate** Deputy Minister Government Services	
MEMBERS **Private Sector Representative**	**Randy Manikel** RIO Management and Consulting	
Client Representatives	**John Hosang** Assistant Deputy Minister Manitoba Transportation and Government Services	**David Wotton** Assistant Deputy Minister Manitoba Conservation
Ex Officio	**Tracey Danowski** A/Assistant Deputy Minister Manitoba Transportation and Government Services	**Susan Boulter** A/Chief Operating Officer Materials Distribution Agency
Staff Representative	**Robert Nicholls** Transportation Coordinator Materials Distribution Agency	

The primary duties of the Board are to:

- Offer advice on the Agency's strategic direction and objectives, performance, business practices, marketing strategies, management and financial reporting requirements;
- Review the Agency's quarterly financial reports, Annual Business Plan, Annual Report and any proposed changes to the Agency Charter; and
- Offer support regarding private, public and client sector issues and initiatives.

The following chart shows how MDA fits into the Government structure:



MDA MISSION STATEMENT

We are a dynamic logistics organization committed to providing valued products and innovative services within the public sector.

FOUNDING PRINCIPLES

- Excellence in Customer Service;
- Commitment to Team Work;
- Dedication to Continuous Improvement; and
- Flexibility to meet Customer Needs.

OPERATING VALUES

MDA supports its mission statement with the following operating values that are the cornerstones of the operation:

To provide customers with:

- Products and services at the lowest possible cost to meet their needs;
- Value-added supply, transportation, storage and disposal services tailored to suit their specific requirements; and
- Lasting and mutually satisfying business relationships.

To work with suppliers to:

- Develop enhanced relationships with suppliers by ensuring the widest possible access to market their products.

To support Sustainable Development and Environment initiatives by:

- Continuing as a good corporate citizen by complying with all laws and regulations, participating in co-operative initiatives in the best interest of our customers and promoting measures to eliminate or minimize risks to the environment;
- Evaluating and offering environmentally responsible products to our clients and actively promoting those products through a sustained and dynamic communication strategy;
- Promoting the Government of Manitoba's Sustainable Development's policy through "green purchasing;" and
- Identifying and using "green" products in day-to-day operations.

To create a positive and vibrant environment for MDA's workforce where:

- Employees continually strive for excellence and are recognized for this effort;
- Management recognizes the importance of its workforce and provides a respectful and safe work environment for all employees with clear objectives, challenging performance goals and direction;
- Recognition programs are developed to encourage, support and acknowledge significant individual and team efforts of employee accomplishments;
- Input vehicles are created to encourage and integrate innovative ideas and individual creative thought; and
- MDA continually invests in its employees, providing opportunities for increased training, development and to continually challenge staff to greater levels of accomplishment.

PRODUCTS

MDA purchases and sells a variety of stocked items and these distinct product lines and services are listed below:

Commodities	Line Items
Stationery and Office Supplies	1,194
Janitorial Supplies	385
Medical Supplies	1,579
Home Care Equipment	114
Office Furnishings and Furniture	120
Quality of Life Aids to Daily Living	296
MB Health Brochures	233
Employment & Income Assistance Consumables	707
Total Line Items	4,628

* Computer software items are no longer included in stock line items count.

SERVICES

Equipment Rental, Service and Repair

The Agency owns over 23,254 individual pieces of 65 different types of home care equipment that are leased and distributed to over 21,290 clients across the Province. MDA staff also service and repair 1,372 individual pieces of office equipment to over 330 Government clients.

Transportation, Moving and Office Relocation Services

The Agency's Transportation Services, with Accommodation Services Division and the Construction Services Branch, provides the Government with moving services and arranges the relocation of Government offices across the Province.

Storage and Distribution Services

MDA offers warehouse storage for clients who require a secure storage facility for items not required on a daily basis. In addition, MDA provides complete warehouse and distribution services for clients who require inventory management, equipment tracking and distribution of supplies to various clients across the Province.

Disposal Services

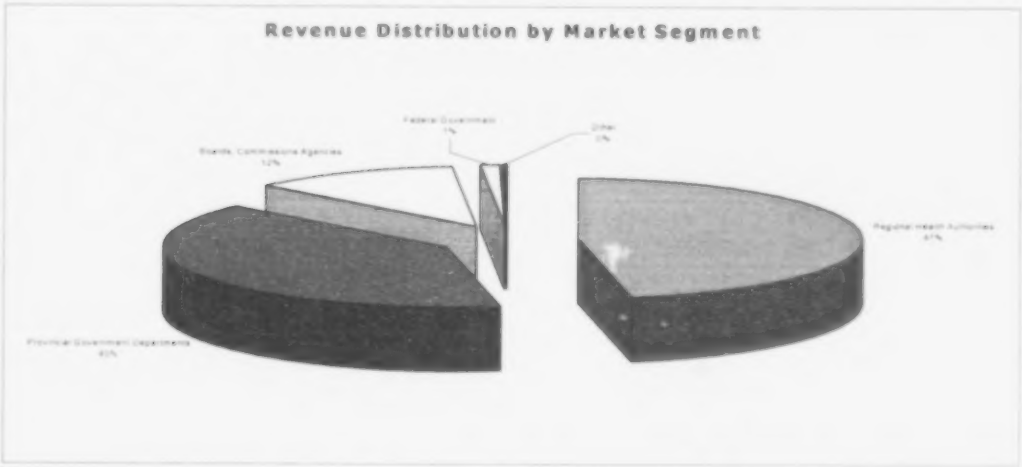
The Agency provides disposal services for material and equipment that are no longer required by the Province. Usable materials are redistributed to other Government departments while items with no further use are sold by tender, auction or are sent to a recycling company.

Software License Audits / Orders

MDA has played an administration role for the Microsoft Select and Enterprise Agreements for the Manitoba Government. MDA works with Manitoba Energy, Science and Technology to provide administration, auditing and ordering services for over 20,000 end-users across the public sector.

Market Segment Information

Revenue Distribution by Market Segment – Total Revenue 2004/05 $20,694



Warehoused Products – Distribution Information

Total Orders	2004/05	2003/04	2002/03
Number of Orders	88,723	90,100	82,311
Number of Manitoba TextBook Orders	17,327	16,656	18,916

Location Distribution - Warehoused Products	2004/05	2003/04	2002/03
Winnipeg	69%	64%	71%
Rural	31%	36%	29%

Delivery Distribution – Winnipeg Medical Orders	2004/05	2003/04	2002/03
Regular	73%	61%	63%
Same day	13%	13%	14%
Pickup	14%	26%	23%

2004/05 PROJECTS AND ACTIVITY STATUS

In its Business Plan, MDA identified five critical success factors. The following is a reiteration of the success factors; specific goals set for the year and the activities undertaken to achieve those goals:

Critical Success Factor #1 Human Resources

To provide an environment where staff is well trained and satisfied with their jobs, working conditions and future opportunities with the Agency.

2004/05 Activities towards Goal:

- MDA has participated in the review of the Chief Operating Officer (COO) core competency role profile and has updated several job descriptions.
- All areas have begun development of Standard Operating Manuals. Technicians have completed their manual.
- Job bulletins and criteria for posted positions reflect core competency skill requirements.
- MDA has developed a draft Learning Plan for its Managers.
- MDA has implemented some Wellness Strategies, and has appointed a chair, but has not yet struck a committee.
- MDA continues to develop its Policy Manual and introduce new policies each quarter.
- MDA offered an Agency-wide course to employees on effective working relationships in the first quarter.
- MDA managers regularly invite staff to attend problem solving meetings.

Critical Success Factor #2 Marketing

To grow MDA's business while maintaining or reducing overall Government expenditures.

Marketing Goals

To continue client contact activities including the product review committee quarterly meetings, annual joint seminar and focus group and on-going sales contacts.

To continue market strategy implementation and develop formal measurement strategies by March 2005.

To continue improving MDA's image by producing professional and effective communication that is easily accessible by the marketplace by October 2004.

To identify at least two new business opportunities within the Government of Manitoba and increase the number of business presentations by March 2005.

2004/05 Activities towards Goal:

- A formal Standard Operating Procedure (SOP) was developed for new products. 200 new products were identified as a result of client consultation and program requirements.
- The focus in the first quarter was launching the Employment and Income Assistance (EIA) Purchasing Program and MDA's e-order system, developed specifically for EIA.
- MDA also presented information to the Material Managers of ten Regional Health Authorities.
- The final customer survey report was submitted to MDA in late December.
- A pricing analysis was conducted to ensure MDA's prices are competitive.
- MDA's new catalogue was distributed in September; production of MDA's second edition of the Medical Catalogue began in the last quarter.
- MDA submitted a successful proposal to Manitoba Health for the distribution of the materials for the no smoking ban.
- MDA made presentations to Manitoba Housing Authority (MHA) and is in discussions with its staff for management of its distribution of goods.
- MDA met with EIA policy analysts to discuss expanding the same services provided to EIA Winnipeg to rural Manitoba.
- Contract Management Strategy was developed.
- Web-site development is underway.
- Amalgamation communications plan developed.

Critical Success Factor #3: Logistics

MDA is a centre of Logistics expertise which provides a competitive advantage for all distribution functions. The Government clients who make use of this expertise gain savings in time and money as well as increase service to their clients.

Logistics Goals

The Logistic area goal is to increase employee job satisfaction and enhance management potential of employees by offering logistics learning plans and a safe environment.

To have reliable measurements and clearly written process manuals.

To use industry best practices and reduce or eliminate repetitive and unnecessary processes.

To provide distribution solutions to Government clients.

To continually improve all facets of operations and transportation.

2004/05 Activities towards Goal:

- The Logistics Manager held quarterly Supervisor meetings including discussions on safety and management training topics.
- The Logistics Manager hosted full warehouse meetings with all departments.
- All of MDA's staff participated in the Core Competency Modeling training.
- Benchmark setting: warehouse staff are reporting the number of orders picked/received/shipped, number of lines picked/received, accuracy (errors), turn around times, returns and credits for all departments.

- MDA developed new forms and procedures for undeliverables, returns, shipping, storage and order fulfillment.
- MDA is developing Standard Operating Procedures for all areas of the warehouse.
- MDA's "Continuous Improvement" training of all warehouse staff has been ongoing for two years.

Critical Success Factor #4: Customer Support Services

To provide excellent professional service to Government and public sector by improving standards and problem resolution that consistently meets the unique needs of our client base.

Customer Support Services Goals:

To improve and measure service to MDA clients.

To provide clients with informed, pleasant and consistent personal contact when they phone MDA with orders and inquiries.

To implement and maintain systems to manage inventory, allocation services and equipment tracking, service and maintenance.

2004/05 Activities towards Goals:

- MDA has implemented a customer service training program of several courses.
- MDA and two other SOAs arranged for a speaker on customer service strategies.
- As of May 1, 2004, MDA tracks order quantities through commodity lines for reporting purposes.
- This information will be used to review and more evenly distribute the workloads.
- Lab and X-Ray operational processes have been reviewed internally and with clients.
- This area changed processes and implemented operational changes to improve back order volumes and turn around times.
- MDA has made six presentations to client groups on alternative and quicker ways to place orders.
- MDA has sent its customer service staff to courses on *Communicating Effectively on the Telephone* and *How to Provide Exceptional Customer Service*.
- MDA is developing an electronic tracking system for the Home Care program and for its new business with EIA.

Critical Success Factor #5: Purchasing and Contracts

To provide MDA clients with the goods they need, when they need it and at the lowest possible cost.

Purchasing and Contracts Goals:

To develop staff core competencies for Contracts and Purchasing staff by March 31, 2005.

To reduce the number of backorders to MDA clients and additional associated handling and freight costs.

2004/05 Activities towards Goal:

- Staff identified a three year learning path plan and it is being reviewed. Succession planning has been identified and training will begin in the new year.
- Manager's job responsibilities have been identified and SOPs are being documented.
- Continuously review and adjust re-order and maximum stock levels.
- Obtained additional Great Plains Dynamics training for staff within the Purchasing Module.
- Increased communication with vendors and present available options within the terms of the contract.
- Back-orders have been reduced. New report created in 4th quarter to assist review of back-orders.

Critical Success Factor #6: Finance

To have the financial framework that reflects effective and efficient business and administration processes.

Financial Goals

To improve the financial management of the Agency and reflect efficient business and administrative practices.

2004/05 Activities towards Goal:

- MDA has deferred measurement standards review to 2005/06.
- MDA is reviewing all outstanding invoices.
- MDA designed monthly financial statements using a Great Plains statement module (FRX).

Critical Success Factor #7: Technology

MDA has the staff and system that can meet the needs of MDA operations and our clients.

Technology Goals

To have a reliable computer system.

To provide on-going user, client and system support on a day to day basis.

To ensure MDA has staff with technological skills to support processes and new programs.

2004/05 Activities towards Goal:

- The refresh took place in the latter part of the first quarter where the PCs were either upgraded to XP or replaced with newer version PCs.
- MDA implemented its system May 1st, 2004.
- MDA implemented its Rentals Module June 1st, 2004.
- MDA held four training sessions for staff, one from internal resources and three from the vendor. These sessions will be ongoing throughout the year on specific areas.
- MDA filled the IT Programmer position early in the fourth quarter.

- The IT section is constantly reviewing the system for improvements. Specific training will be provided to IT staff in the future.

Financial Overview

Review of Operations

MDA has seen the volume and breadth of products grow in most commodity lines. Current clients are ordering more of products commonly stocked, while also requesting that MDA expand its lines of goods. As Government agencies are asked to contain their spending, they look to MDA to assume warehousing and distributing at a lower cost.

The following financial review and analysis compare the actual results for the year ended March 31, 2005 to the projections for the same period and to the actual results for the year ended March 31, 2004.

MDA reported net income of $60,000 for the year ended March 31, 2005 compared to a projected $175,000 for 2005 and actual of $402,000 for the year ended March 31, 2004.

	2005 Actual	2005 Projected	2005 Actual vs. 2005 Projected Increase (Decrease)	2004 Actual	2005 Actual vs. 2004 Actual Increase (Decrease)
Warehouse Sales	$14,038	$13,310	728	$14,615	$(577)
Cost of goods sold	11,540	12,416	(876)	11,883	343
Gross profit	2,498	894	1,604	2,732	(234)
Service Revenue	3,882	3,815	67	3,778	104
Software Revenue	2,774	2,750	24	2,389	385
Total Revenue	9,154	7,459	1,695	8,899	255
Expenses					
Salaries & benefits	2,997	3,016	(19)	2,852	145
Occupancy costs	631	790	(159)	685	(54)
Software purchases	2,764	2,750	14	2,067	697
Administrative	2,702	728	1,974	2,893	(191)
Total Expenses	9,094	7,284	1,810	8,497	597
Net Income	$60	$175	$(115)	$402	$(342)

Financial Position

The Agency did not have to use its working capital payable line of credit at any time during this fiscal year. The Agency has no working capital payable outstanding.

Remaining cash generated by operations was used to purchase capital and other assets and to pay revenue sharing amounts to the Consolidated Fund ($400).

Ratio Analysis

Ratio analyses comparing actual to projected calculated amounts are provided in the table below.

Ratio	Actual 2005	Actual 2004	Actual 2003	Actual 2002
Return on total revenue	0.003%	1.94%	1.95%	2.68%
Return on average assets	.006%	4.7%	5.4%	6.29%
Gross profit percentage	17.80%	22.19%	19.65%	20.74%
Debt to equity	.45 to 1	.44 to 1	.50 to 1	.42 to 1
Current ratio	1.73 to 1	1.84 to 1	2.50 to 1	2.69 to 1
Days Sales in receivables	67 days	69 days	49 days	48 days
Inventory turnover	5.99 times	7.70 times	7.75 times	5.94 times

Performance Measures

	Actual 2005	Actual 2004	Actual 2003	Actual 2002
Turn Around Time (within MDA)				
Health Orders – Urban	1	2	2	4
Health Orders– Rural	2	3	3	2
Other goods – Urban	1	3	3	4
Other goods – Rural	2	5	5	2
MTBB	3	3	3	n/a
No. Sales Invoices	89,404	88,512	90,918	90,039
No. Inventory Items	4,628*	3,755	4,359	2,876
Abandoned Client Phone Calls	23%	27%	n/a	n/a

* Computer software items are no longer included in stock line items count.

Materials Distribution Agency
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with Canadian generally accepted accounting principles. The financial statements have been audited by The Exchange Chartered Accountants LLP, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

The Advisory Board has scheduled meetings with management to review accounting practices, financial reporting and to discuss the audit result. The auditors have free and full access to this Board, to discuss the results of the audit and their views on the adequacy of internal controls and the quality of financial reporting.

Susan Boulter
A/Chief Operating Officer

Joel Hershfield
Manager of Finance and Technology

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Materials Distribution Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2005 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2005 and the results of its operations and changes in cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
June 9, 2005

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2005

ASSETS

	2005	2004 (Restated)
CURRENT		
Cash and short term investments (note 7)	$ 806	$ 1,054
Accounts receivable	3,894	3,708
Inventories (notes 2 and 3)	1,838	2,015
Prepaid expenses	82	63
	6,620	6,840
RECEIVABLE – PROVINCE OF MANITOBA (notes 4 and 8)	288	288
EQUIPMENT (notes 2 and 5)	1,184	1,081
OTHER ASSETS (notes 2 and 6)	520	650
	$ 8,612	$ 8,859
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 3,590	$ 3,509
SEVERANCE LIABILITY (note 8)	246	234
	3,836	3,743
EQUITY		
CONTRIBUTED SURPLUS (note 9)	1,246	1,246
RETAINED EARNINGS	3,530	3,870
	4,776	5,116
	$ 8,612	$ 8,859

Commitments (note 10)

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2005

	2005	2004 (Restated)
NET WAREHOUSE SALES, note 2, schedule 1	$14,038	$14,615
COST OF GOODS SOLD	11,540	11,883
GROSS PROFIT	2,498	2,732
SERVICE REVENUE, note 2, schedule 1	3,882	3,778
SOFTWARE REVENUE	2,774	2,389
NET REVENUE	9,154	8,899
EXPENSES		
Salaries and benefits, note 13	2,997	2,852
Occupancy costs	631	685
Software Purchases	2,764	2,160
Administrative expenses, schedule 2	2,702	2,893
	9,094	8,590
NET INCOME	60	309
RETAINED EARNINGS, beginning of year, as previously stated	3,963	-
PRIOR PERIOD ADJUSTMENT, note 17	(93)	-
RETAINED EARNINGS, beginning of year, as restated	3,870	3,961
REVENUE SHARING – Province of Manitoba	(400)	(400)
RETAINED EARNINGS, end of year	$ 3,530	$ 3,870

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

STATEMENT OF CASH FLOW
(In Thousands)
YEAR ENDED MARCH 31, 2005

Increase (decrease) in cash and cash equivalents

	2005	2004 (Restated)
Operating		
Net income (loss)	$ 60	$ 309
Amortization	822	732
	882	1,041
Change in		
Accounts receivable	(186)	(522)
Inventories	177	(406)
Prepaid expenses	(19)	19
Accounts payable and accrued liabilities	81	1,102
Severance liability	12	(12)
	947	1,222
Investing		
Acquisition of rental equipment	(692)	(615)
Acquisition of equipment	(36)	(196)
Acquisition of other assets	(67)	(412)
	(795)	(1,223)
Financing		
Revenue sharing to the Consolidated Fund	(400)	(400)
Decrease in cash and short term investments	(248)	(401)
Cash and short-term investments, beginning of year	1,054	1,455
Cash and short-term investments, end of year	$ 806	$ 1,054

See Accompanying Notes To Financial Statements

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2005

1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate was to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Inventories

Inventories are valued at the lower of cost and net realizable value.

Equipment

Equipment is recorded at cost and is amortized annually at the following rates and bases:

Computer equipment	- 20%, straight-line basis
Fixtures	- 20%, straight-line basis
Office equipment	- 20%, diminishing balance basis
Warehouse equipment	- 20%, diminishing balance basis
Leasehold improvements	- over 5 years, straight-line basis

Non-consumable equipment relating to the Home Care Equipment and Supplies Program is amortized at varying rates in order to reflect the varying periods of useable "life".

Rental equipment	- over 2, 3 or 5 years, straight-line basis

Other Assets

Other assets are recorded at cost and are amortized at the following rates on a straight-line basis:

Computer conversion	- over 5 years
Relocation expenses	- over 10 years

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

Warehouse sales are normally recognized when the products are shipped, service revenues are recognized on the provision of services, and software revenue is recognized when products are shipped and when collection is reasonably assured.

3. INVENTORIES

	2005	2004
Medical supplies	$ 1,249	$ 1,185
Equipment	29	165
Golden Boy	20	27
Stationery	401	470
Janitorial	125	115
New furniture	14	53
	$ 1,838	$ 2,015

4. RECEIVABLE – PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlement earned by the employees of the Agency prior to its designation as a Special Operating Agency. It also includes severance pay benefits earned by the employees to March 31, 1998.

The receivable, or portion thereof, for the Agency will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2005

5. EQUIPMENT

	Cost	Accumulated Amortization	2005 Net	2004 Net
Computer equipment	$ 144	$ 109	$ 35	$ 39
Fixtures	107	107	0	3
Office equipment	60	60	0	0
Warehouse equipment	392	227	165	186
Leasehold improvements	401	375	26	78
Rental equipment	3,275	2,317	958	775
	$ 4,379	$ 3,195	$ 1,184	$ 1,081

6. OTHER ASSETS

	Cost	Accumulated Amortization	2005 Net	2004 Net
Computer conversion	$ 1,355	$ 1,028	$ 327	$ 433
Relocation expense	241	48	193	217
	$ 1,596	$ 1,076	$ 520	$ 650

7. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $800 of which none was used at March 31, 2005 or 2004.

8. SEVERANCE LIABILITY

Effective April 1, 1998 the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. That responsibility is reflected by a $288 receivable from the Province.

An actuarial report was completed February 2001 calculating the severance pay liability balance as at March 31, 2000. This actuarial report provided a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated to be $246 as at March 31, 2005 (2004 - $234).

9. CONTRIBUTED SURPLUS

Loan Authority – April 1, 1993

The SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventory and capital assets valued at $1,464 required for the continuing operations of the Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being ½ of the value of the assets) and recorded the balance, $732, as Manitoba's equity in the Financing Authority as related to the Agency operations.

Loan Authority – April 1, 1997

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the Home Care Equipment and Supply Program valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $513 (being ½ of the value of the assets) and recorded the balance, $514, as Manitoba's equity in the Financing Authority as related to the Agency operations.

10. COMMITMENTS

Leased Premises

On March 24, 2003, the Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of 10 years with an additional 5 year option commencing May 1, 2003. Occupancy charges are an annual $453 payable in monthly instalments.

Revenue Sharing

The Agency's approved 2005/06 Business Plan calls for $400 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2005/06.

11. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provision of the Civil Service Superannuation Act, administered by the Civil Service Superannuation (CSSB).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency is required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2005 was $118 (2004 - $ 106).

12. INTEREST RECEIVED

The Agency received interest during the year of $14 (2004 - $27).

13. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2005, the following employees received compensation in excess of $50.

Name	Position	2005	2004
Ailyn Almendral	IT- Systems Administrator	$ 57	$ 53
Susan Boulter	A/Chief Operating Officer	84	78
Joel Hershfield	Manager of Finance and Technology	65	62
Ted Norrington	Financial Analyst	54	53
Kathy Demchuk	Marketing Manager	59	56

14. FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash and short term investments, accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities and severance liability. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

15. SUBSEQUENT EVENTS

The Province of Manitoba approved the amalgamation of the operations of Materials Distribution Agency and Mail Management Agency effective April 1, 2005. The amalgamated operations will operate as Materials Distribution Agency.

Effective April 2005, the Winnipeg Regional Health Authority (WRHA) commenced purchasing and distributing Home Care products from their own premises and has informed the Agency of their intention to do the same for Ostomy products effective September 2005. This will result in an estimated loss of $3,500 in sales in the 2005-06 fiscal year and $4,500 in sales in the 2006-07 fiscal year.

16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to this year's presentation.

17. PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that there were sales recorded in the prior year without any cost of goods sold relating to those sales. The correction was accounted for retroactively with a restatement of the prior period. This correction reduced net income and retained earnings by $93 and increased the accounts payable and accrued liabilities by $93.

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

SCHEDULE OF WAREHOUSE SALES & SERVICE REVENUE
(In Thousands)
MARCH 31, 2005

	2005	2004
Warehouse Sales		
Medical supplies	$ 8,836	$ 9,275
Stationery	2,788	2,863
Health Equipment	516	-
Janitorial	1,019	1,052
Furniture	870	1,360
Special Projects	9	65
	$ 14,038	$ 14,615
Service Revenue		
Manitoba Textbook Bureau	$ 278	$ 272
Home Care equipment rentals	1,819	1,685
Office equipment – copy centres	624	691
Office equipment – maintenance program	74	97
Disposal	14	10
Freight	564	507
Moving	275	359
Storage	67	48
Special Projects	91	35
Other Income	76	74
	$ 3,882	$ 3,778

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

SCHEDULE OF ADMINISTRATIVE EXPENSES
(In Thousands)
MARCH 31, 2005

	2005	2004
ADMINISTRATIVE EXPENSES		
SOAFA fees	$ 2	$ 2
Professional services	14	13
Amortization	822	732
Computer	220	254
Office	72	92
Promotion and marketing	43	48
Telephone	51	50
Training	14	14
Freight	743	697
Moving	143	195
Warehouse Supplies	71	108
Copy Centre	408	455
Equipment Rentals	59	62
Special Projects	0	31
Vehicles	36	33
Miscellaneous	4	107
	$ 2,702	$ 2,893